

# MARKETBEAT BALTIMORE



Office Q4 2023

YoY Chg 12-Mo. Forecast

**17.1%**  
Vacancy Rate ▲ ▲

**-1.7M**  
YTD Net Absorption, SF ▼ ▼

**\$24.89**  
Asking Rent, PSF ▼ ▼

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

**1.4M**  
Baltimore Employment ▲ ▲

**1.8%**  
Baltimore Unemployment Rate ▼ ▲

**3.7%**  
U.S. Unemployment Rate ▲ ▲

Source: BLS

## ECONOMY:

U.S. stock markets rallied at the end of 2023 amid positive news of likely rate cuts by the Federal Reserve (Fed) heading into 2024. However, the Fed's December meeting notes indicate a great degree of uncertainty as to when cuts will happen, putting a damper on the economic outlook. Despite the slowdown of inflation to 2.2% in Baltimore as of October 2023, and prices set back by 0.2 percent as compared to the preceding two-month period, the impact of rising prices and a constricted lending environment overall remain a concern for both private and commercial businesses.

An economic bright spot is Baltimore City's recent designation as a tech hub under the U.S. Department of Commerce Economic Development Administration's Regional Technology and Innovation Hubs program. As reported by CBS News Baltimore in October 2023, the award was given to Baltimore, and 30 other designees, based on the City's intersectionality of AI and biotechnology. The designation will allow the Baltimore metropolitan area businesses, colleges and universities, and local governments that applied together to compete for \$50 - \$75 million in Phase 2 of the program.

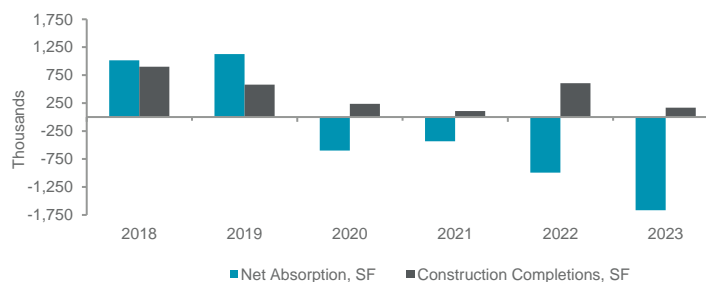
## SUPPLY AND DEMAND:

The vacancy rate expanded by 40 basis points (bps) quarter-over-quarter (QOQ) and by 230 bps year-over-year (YOY) to an all-time high of 17.1%, as 2023 year-to-date (YTD) net absorption bottomed out at nearly 1.7 million square feet (msf). State of Maryland deals for office space yet to be occupied represented a beacon of hope and would have reduced total negative net absorption by a quarter in 2023. Yet they were not the only holdout, as an additional 20.0% of non-State deals were signed with occupancy in 2024.

Though much of the upward pressure on vacancies has come from the Baltimore City market via a combination of delayed occupancy and downsizing by tenants, the remainder of the market has begun to feel those effects. Baltimore City's 60 bps-uptick in fourth-quarter vacancy was the smallest QOQ increase in the Baltimore market. Higher increases happened elsewhere: Harford County (420 bps), Greater Annapolis (390 bps), Suburban West (320 bps), Howard County (180 bps), and BWI Airport and Suburban North (150 bps each).

Asking rates declined half a percent QOQ and 1.3% YOY. A few submarkets maintained or increased asking rates: Suburban West, Greater Annapolis, and Harford County. Free rent and tenant improvement allowances continued to increase, as a measure against downward pressure on asking rates. Fourth-quarter office investment was paltry compared to mid-year, with three suburban office buildings traded for under \$4.5 million apiece: 6797 Dorsey Road, 9900 Franklin Square Drive, and 9160 Guilford Road.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)**	OVERALL AVG ASKING RENT (CLASS A)**
Baltimore City	21,667,086	4,680,086	164,474	22.4%	-19,336	-524,920	361,176*	450,000	\$26.15	\$27.75
Howard County	17,228,435	2,098,204	306,367	14.0%	-85,061	-311,615	623,045*	81,586	\$24.88	\$27.53
BWI Airport	11,858,139	939,989	101,490	8.8%	-88,167	-34,239	221,089*	122,195	\$24.68	\$28.75
Suburban North	13,529,427	1,884,302	496,425	17.6%	22,458	-428,889	593,748*	0	\$23.32	\$25.40
Greater Annapolis	4,026,712	530,859	25,574	13.8%	-26,434	-71,841	120,344*	0	\$27.94	\$31.34
Suburban West	8,210,821	1,391,428	247,031	20.0%	-96,768	-296,464	265,410*	0	\$21.15	\$23.24
Harford	1,989,968	548,764	17,092	28.4%	-5,919	281	26,441	0	\$23.67	\$24.44
<b>BALTIMORE TOTALS</b>	<b>78,510,588</b>	<b>12,073,311</b>	<b>1,358,453</b>	<b>17.1%</b>	<b>-299,227</b>	<b>-1,667,687</b>	<b>2,221,227*</b>	<b>653,781</b>	<b>\$24.89</b>	<b>\$26.90</b>

\*Does Not Reflect National MarketBeat Statistics; \*\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1304 Concourse Dr	BWI North / Linthicum	Northrop Grumman	87,130	Renewal*
1800 Washington Blvd	Southwest	MD Lottery and Gaming	65,682	Renewal*
10 N Park Dr	Route 83 North	Travelers Indemnity Company	65,214	New Lease
250 W Pratt St	Baltimore CBD	University of Maryland Faculty Physicians, Inc.	47,357	Renewal*
9065 Guilford Rd	Columbia South	Quick Servant Company	46,781	New Lease
9861 Broken Land Pky	Columbia South	Confidential	46,118	Renewal*
250 W Pratt St	Baltimore CBD	University of Maryland Medical System (UMMS)	39,743	Renewal/Expansion*

\*Renewals not included in leasing statistics

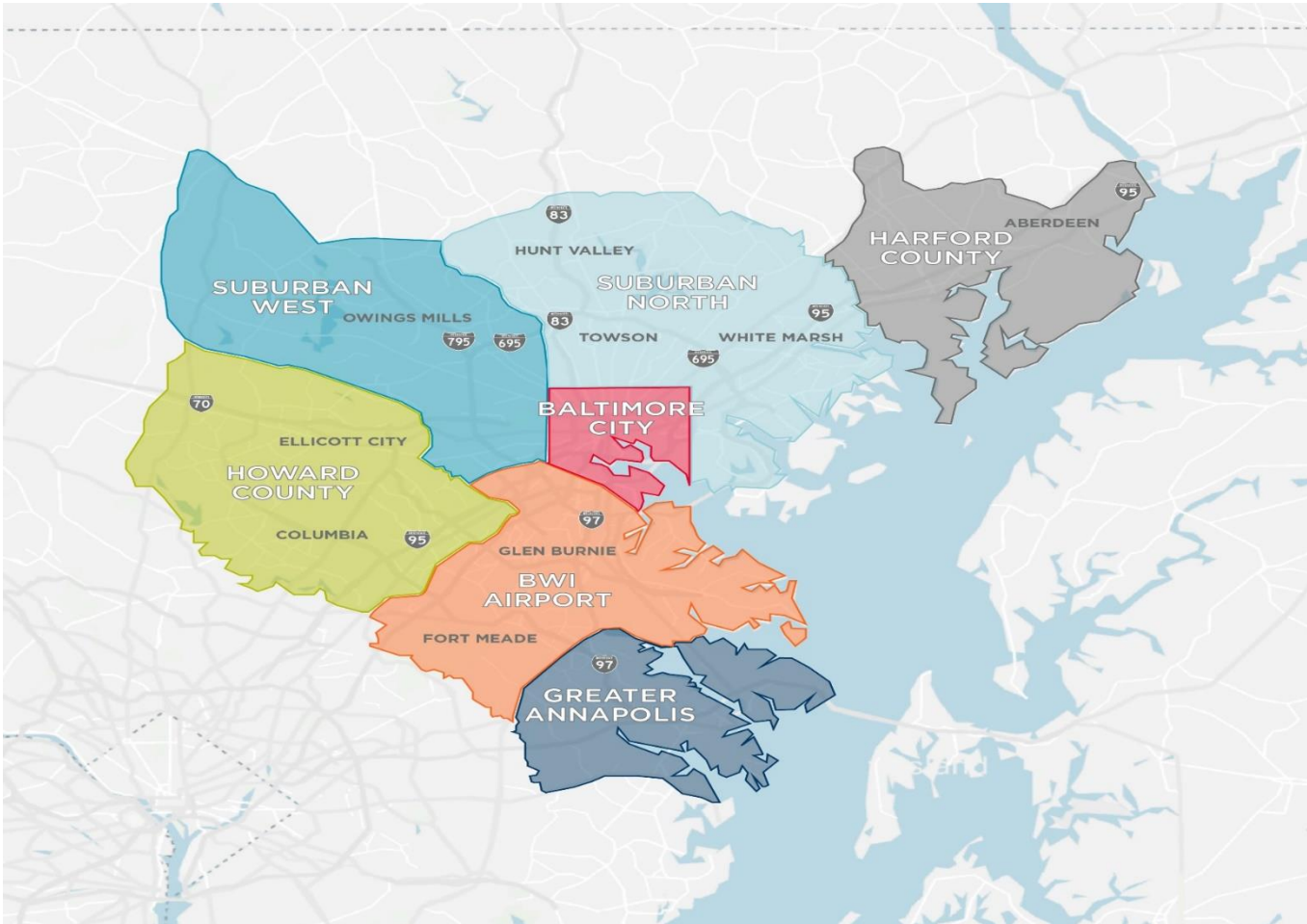
## KEY PROJECTS UNDER CONSTRUCTION Q4 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1307 Point Street – Building I	Southeast	T. Rowe Price	225,000	Beatty Development
1307 Point Street – Building II	Southeast	T. Rowe Price	225,000	Beatty Development
550 National Business Parkway	BWI / Anne Arundel	Microsoft	122,195	Corporate Office Properties Trust

# BALTIMORE

Office Q4 2023

## OFFICE SUBMARKETS



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